

SECTION 6.50 DEFERRED COMPENSATION AND TAX SHELTERED ANNUITIES

Last Update: 12/03

Deferred Compensation

Internal Revenue Code (IRC) Section 457

Purpose:

- Establishment of a supplemental retirement program.

Benefit of Program:

- Participation is voluntary
- Decreases current federal and state income tax.
- Additional income at retirement to supplement Social Security and other retirement benefits.
- Will not decrease IPERS, POR, Judicial, and Social Security benefit payments.
- Income deferred until retirement when taxation may be lower than during working years.
- No 10% Internal Revenue Service (I.R.S.) penalty for withdrawal prior to age 59 ½.
- Employer matches 50% of contributions up to a maximum.

Eligibility:

- Any non-temporary executive, Judicial or Legislative Branch employee of the State of Iowa who is regularly scheduled for 20 or more hours of work per week or who has a fixed annual salary is eligible to defer compensation under this rule except employees of the Board of Regents institutions.

Enrollment Period:

- Employees allowed to enroll anytime during the year.

Deferral Amounts:

- Maximum annual deferral is 100% of includible compensation up to a maximum.
- Minimum monthly deferral is \$25.00.

Investment Options:

- Fixed Annuities
- Variable Annuities
- Mutual Funds

Investment Providers:

- Annuities and mutual funds available through approved investment providers.
- A current list of investment providers can be obtained from your Personnel Assistant.

Program Provisions:

- Funds are not disbursed unless employee terminates employment, retires, dies, or the State approves an unforeseen emergency or cash-out.
- Funds can be transferred into a Individual Retirement Annuity (IRA).
- Funds are considered earned income and taxable in the year distributions are received.

To obtain forms and additional information see your Personnel Assistant or check the DAS-HRE website.

Tax Sheltered Annuity (TSA)
Internal Revenue Code (IRC) Section 403(b)

Purpose:

- Establishment of a supplemental retirement program.

Benefit of Program:

- Participation is voluntary
- Decreases current federal and state income tax.
- Additional income at retirement to supplement Social Security and IPERS benefits.
- Income deferred until retirement when taxable income should be lower than during working years.

Eligibility:

- A permanent employee of the Department of Education or the Board of Regents who is regularly scheduled to work 20 or more hours per week.

Deferral Amounts:

- Maximum annual deferral is 100% of monthly gross income minus pre-tax and dependent care deductions, up to a maximum limitation.
- Special limits apply for employees with more than 15 years of service.

Investment Options:

- Fixed Annuity
- Variable Annuity
- Mutual Funds

Investment Providers:

- An Insurance company, brokerage firm, etc., licensed to do business in Iowa.

Program Provisions:

- 10% penalty if funds are withdrawn prior to age 59 ½.
- Employee owns the contract and names a personal beneficiary.
- Employee cannot participate in a Deferred Compensation program when participating in a TSA.
- TSA contributions will be terminated when an employee transfers to an ineligible State Department.

To obtain required forms see your Personnel Assistant.